

Wisconsin Plan to Keep the Nation at Work

"THE great question today is how to get workmen to work, get their good will and get them satisfied and loyal. Consequently the problem is to try to establish that same security of jobs that capitalists have secured for investments. Business has become efficient for the investor, but remains inefficient for the worker."

John R. Commons, of the economics department of the University of Wisconsin, is not a Socialist. But he has definite ideas on labor questions and has written more books and compiled more volumes on labor history than any other single author. He has also served as president of the American Economics Association. Mr. Commons helped to draft the Wisconsin Workmen's Compensation Act and served on the industrial commission for a term in the administration of the law.

At his request, bills have been introduced in several legislatures, notably New York and Wisconsin, to present his viewpoint. Maybe they will not pass. But he worked years for workmen's compensation and legislation to prevent accidents before his dream was realized. His new plan will also come, he says. And he will wait!

"Time has demonstrated under present laws that accidents did not pay," continued Professor Commons, "and it will demonstrate that unemployment does not pay and that it can be stopped."

"We must know that we are not considering simply the interests of the workman but also the interests of employers and of the state. We are considering that we are in the midst of a great struggle between capital and labor and that the part of legislation is to do what it can to mitigate that struggle."

Employment Insurance

WISCONSIN had workmen's compensation and accident laws put on the books ten years ago largely at the behest of Professor Commons. By them industry pays for accidents and the burden is shifted to the public. These laws are the basis of his unemployment plan. Substitute into the workmen's compensation law the word "unemployment" where the word "accidents" occurs and you will have a practical draft of the unemployment bill. It provides for unemployment compensation of \$1.50 a day for thirteen weeks. The same commission which administers the workmen's compensation laws would administer the unemployment statute as an added duty. Professor Commons talks about what he hopes to accomplish by this legislation in a simple way. He says the same opposition developed to compensation laws, but results under the laws when enacted proved his theories.

"I can perfectly appreciate the attitude of employers who at the present time look upon this proposition of unemployment prevention in the same way they looked upon accident compensation," said Professor Commons. "They have not been acquainted with it. I have talked with employers and have found this, that a very large number of them are awake to the question of unemployment and not only that but they think something can be done."

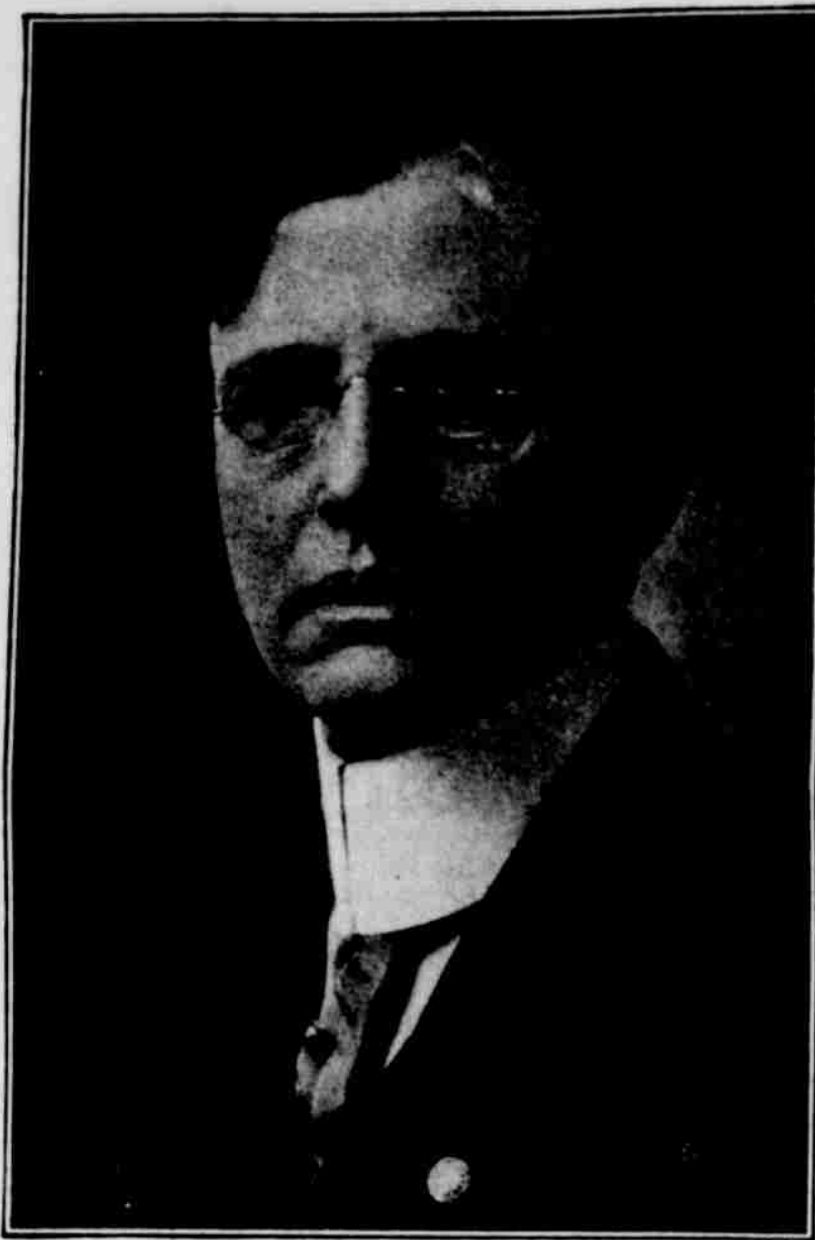
"I was speaking to a meeting along this line three or four years ago and contended that employers could prevent unemployment if there was enough money in it. Mr. Redfield, Secretary of Commerce of the United States, who was on the program at that time, said that it could be accomplished and that he had done it in his own factory for the last thirty years. He is one of the big employers in the city of Brooklyn, New York, a firm in the machinery and metal trades, and since 1890 had not laid off any hands. They had great difficulty in avoiding it in the hard times from 1893-1897. They were skating on thin ice at that time, but notwithstanding, they succeeded. It is a very simple arrangement when you once put your business talent to figure it out. They simply tied up their sales department with their production department. Their salesmen were instructed not to take rush orders if the shop was already crowded, but to get their customers to spread out the work over the year and to get them to order early before the rush season came on."

Sales and Production

"I VISITED a year and a half ago, with some six of my graduate students, some thirty factories in the United States looking for the best practice in labor management. We found perhaps a half dozen firms that by a process of this kind had prevented unemployment. One of the great examples in the United States is the Dennison Tag Manufacturing Company. All of you know the shipping tags and tickets you get on the railroad. That company started out with a seasonal trade. They were manufacturers of Christmas cards. It used to be that no retailer would order Christmas cards until September or October and then the company would be crowded with work. They took on all the help they could get for two or three months and they laid them off as soon as Christmas came. The company then conceived the idea that both for the good of the plant in not having idle machinery and for the good will and loyalty of their workmen they should never lay off a man. So they tied up their sales and production departments."

"At the present time the Christmas cards that you will buy next Christmas have already begun to be manufactured. They have spread the manufacture out over the year because they put their business talent to figuring it out and their salesmen are instructed to take orders for delivery in such a way that the product can be manufactured throughout the year. Then they offer some discount for orders in advance. It is a matter of adjustment throughout the market."

"Then in addition to that they put in a number of side lines that would dovetail in at different seasons



DR. JOHN R. COMMONS

so that when they are not manufacturing one product they would be manufacturing another, and they trained their working force so that they could shift from one occupation to another. They set up an employment insurance fund by which they could carry themselves over a period of depression, just as a sound business corporation sets up a business reserve in order that it may continue to pay dividends during the period of depression. So they set up an unemployment reserve so that they can continue to pay wages during a period of depression, or to use it in stocking up goods instead of shutting down."

"I know of a number of firms that have this unemployment fund. They use it as a reserve to hire laborers and stock up during a period of depression, knowing that later on they can sell the goods. It means that you must begin two or three years in advance and build up your reserve while times are good and thus have a reserve not only for paying dividends but also for paying wages during a period of depression."

How It Works

THESE actual business demonstrations seemed convincing and he was asked why it was that employers generally did not follow this practice.

"Those with whom I have talked recognize its importance but they say it is impossible," Dr. Commons quickly replied. "They would say you cannot do it. The principal reason they cannot do it is because all of them do not do it together. A few of them may try to do this, try to spread out the work. Consequently these employers, a few of them, are at a disadvantage. These men who are not spreading out their work get all the orders. So competition prevents those who would like to stabilize employment from doing it."

"The reason why business men expand and why banks give them credit," explained Professor Commons, "is because when they have rush orders, like those of the last few years, they know that when the stoppage comes they can lay off all of their employees suddenly without notice. But under this system every man that the employer takes on adds a new liability. The employer does not escape his liability when he lays him off. He runs under the probability of being compelled to pay that man \$9 a week for thirteen weeks."

"What happens now is something like this. The manufacturers in the state have rush orders. They get credit from the banks on future deliveries. Then they go out to look for labor. They pull laborers in from the farm and then after the job is finished they lay them off. One of my colleagues at the university spent last summer with a staff of people working for the Department of Agriculture at Washington. They interviewed some 200 migratory laborers and hoboos in the harvest fields of the wheat belt. They found that 60 per cent of them started in as farm laborers who were pulled into the city and then laid off and went back to the farm again, and then finally getting uncertain and unsettled they got the hobo habit. Sixty per cent of our hoboos are not foreign, but Americans who have been taken from the farm to the city and then thrown off without notice. This practice deprives the farmer of his laborers when he needs them most, then throws them back on him when he can do the least for them."

"So the proposition of an unemployment compensation law would consist in enlisting the aid of the banks and making the law universal."

"I know very well that no individual employer takes any satisfaction in laying off his men. But no individual can help himself. It is the system and the com-

petition for profits that does it, and the fact that they do not all work together to prevent it. The same was true with accident prevention. It required accident compensation to get them all to work together to prevent accidents. To this one fact I attribute the bulk of the agitation of Socialism."

"What do you say to the charge that such a law would be paternalistic or socialistic?" He had anticipated the question.

"I claim that it is neither paternalistic nor socialistic, but capitalistic," came the reply. "In paternalism, if we followed the copy of England, we would have an entirely different proposition. England has had an unemployment insurance law for ten years. They started out insuring about 2,000,000 men in the building trades and now, since the war ended, they have increased the number to about 10,000,000. Under that law it is provided that the employer shall pay 40 per cent, the workmen 40 per cent, and the state 20 per cent of the cost. Furthermore, that the state shall conduct the insurance business. Italy has copied England. But England waited too long to bring this about. They waited until four-fifths of their population were wage earners. We should not wait too long in this country."

Prevention, Not Relief

"WE HAVE only about one-third of our population as wage earners. We may wait like England and then adopt some plan to relieve the suffering of the workers. As I take it the idea in Wisconsin, as shown by our accident compensation law, is the prevention instead of the relief of unemployment."

"In the proposed measure for Wisconsin the employees are not asked to contribute anything, the employers carrying the whole burden through their insurance companies. It might seem that if the thing was unpreventable it would be proper for the workman to contribute. But it is largely preventable and there is only one who is in a position to prevent it. The workmen cannot prevent it, but the employer or business man and the banking system alone can prevent unemployment."

"Taking the manufacturing industries alone, you will notice that on an average 10 per cent are unemployed throughout the entire period. That means 10 per cent of fifty-two possible weeks, so that the average period of unemployment is about five weeks in the manufacturing industries of Massachusetts. In other words, the average man was unemployed five weeks and employed forty-seven weeks. Now it is during those weeks that they are employed that the employer builds up his insurance fund, and it is during those weeks of unemployment that he pays out his insurance fund. So you can figure out on the average about how much it will be."

"Assuming then that there was no unemployment prevention, assuming all of these averages for the manufacturing industries, we find that an insurance premium of about \$1 a week for each employee would build up a fund of \$45 for an average of five weeks at \$9 a week. In other industries, like building trades, it may be larger. Suppose it runs from \$2 to \$4 a week for each employee while employed, according to the business of the employer. When it comes to making bargains for wages, \$2 to \$4 a week is not a very large item."

"Should both capital and labor contribute to a fund to prevent unemployment and will men work cheaper under such a system?" was suggested.

"It seems to me the employees should not contribute to the tax. Several years ago I looked up this matter in the city of Milwaukee and I found that carpenters in the building trades were getting 44 cents an hour for eight months' work. But the street railway company, which gave them steady work throughout the year, was paying them 26 cents an hour for the same kind of employment. Yet the men who were working at 26 cents an hour were making as much money in 12 months as those working in the building trades in eight months at 44 cents an hour. It certainly is a talking point with the employer to say that if I can give you steady work the year around you will make some reduction in your wages. I presume that the workers as well as the capitalist will see the point and that the workers will probably be willing to take less wages."

Not a State Function

THE measure drafted by Professor Commons applies to all corporations and to individuals who have three or more employees. The farming industry is exempted, because it is claimed the farmers cannot organize to prevent unemployment. No employment compensation shall be paid on account of strikes and lock-outs.

The insurance for unemployment shall not be a state function. Employers themselves banded in mutual companies can best work this out. By the plan the various mutual insurance companies will organize themselves, as is already done in Wisconsin under the accident compensation law, into a bureau which shall determine the premiums and the rates so as to provide fair dealings among different ones.

"It seems to me that not only on the experience of what the individual employers can do, whom I have mentioned," concluded Dr. Commons, "but on the urgency of this great problem, on this miserable fluctuation and unbalancing of our civilization, we should consider whether or not it would not be better, instead of waiting until such time that the system becomes unworkable as it did in Europe, we should introduce such a measure as we did in the Wisconsin workmen's compensation law and extend it to unemployment prevention. It will work to the benefit of both employer and employee. It will do much to obliterate the hostility between labor and capital."